



JAMES A. NOYES, Director

COUNTY OF LOS ANGELES

DEPARTMENT OF PUBLIC WORKS

"Enriching Lives"

900 SOUTH FREMONT AVENUE
ALHAMBRA, CALIFORNIA 91803-1331
Telephone: (626) 458-5100
www.ladpw.org

ADDRESS ALL CORRESPONDENCE TO:
P.O. BOX 1460
ALHAMBRA, CALIFORNIA 91802-1460

IN REPLY PLEASE

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October 21, 2003

TO: Each Supervisor

FROM: James A. Noyes
Director of Public Works

LAC+USC MEDICAL CENTER REPLACEMENT AND SB 1953 RELATED PROJECTS

You may have read the Los Angeles Times September 8, 2003, article "Glitch Stalls Retrofitting of Hospitals" (copy attached) regarding the State's hiring freeze affecting the Office of Statewide Health Planning and Development and the effect of this hiring freeze on various hospital projects throughout the State. This subject has been a concern to me for some time, particularly its potential impact on the timely delivery of the LAC+USC Replacement Project and the SB 1953 seismic retrofit projects at Harbor-UCLA; Martin Luther King, Jr./Drew; and Olive View-UCLA Medical Centers. Therefore, following is a report on the steps we have taken with OSHPD in this regard:

As mentioned in the article, the biggest concern regarding OSHPD's staffing limitations is the resulting potential for delay in processing of plans, change orders, and other documents necessary to design and build hospitals as well as the cost to hospital owners resulting from delays. In order to prevent these issues from impacting the County's various health projects, on May 15, 2003, my staff traveled to Sacramento to meet with the Deputy Director of OSHPD, Mr. Kurt Schaefer, to discuss potential ways to mitigate the effect of this hiring freeze.

As an immediate outcome of this meeting, OSHPD reassigned the plan checking responsibility of all County's SB 1953 seismic retrofit projects from OSHPD's Southern California office to its Central Valley office. Since the Southern California office is extremely busy, this reassignment of work should help the County to expedite the plan check process for all of our SB 1953 projects. To this point, we have received timely service from OSHPD on these projects, and they are proceeding on schedule.

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Another concern is the shortage of inspection staff at OSHPD and its potential to delay construction projects. An OSHPD official must approve design changes made during construction before a contractor can implement the changes. On a large project, like the LAC+USC Replacement Project, changes requiring OSHPD's review occur frequently and must be processed rapidly to avoid delaying the contractor.

Due to the hiring freeze, OSHPD is currently unable to provide the manpower to review and approve these changes in a timely manner. At our May 15 meeting, Mr. Schaefer agreed to consider a proposal from Public Works to allow preliminary approval of these changes by a Los Angeles County Building Official in order to allow construction to proceed without impacting the construction schedule and cost. We have written a confirming letter to Mr. Schaefer and anticipate receiving his formal approval shortly. The LAC+USC Replacement Project has not yet been delayed by the OSHPD staffing limitations, and if we receive approval of our proposal, we expect to continue to maintain our schedule.

On February 21, 2003, Assemblyman Frommer introduced Assembly Bill 1154 to exempt OSHPD from any hiring freeze and staff cutbacks because of its increased workload due to SB 1953. (All of OSHPD's Facilities Development Division's costs are currently funded by hospitals through fees assessed on project costs and not by the State's General Fund.) However, on September 11, 2003, AB 1154 was amended to delete all references to exempt the hiring freeze and staff cutbacks.

Although we have taken proactive measures to enable our projects to proceed, future support for legislation to remove the hiring freeze is needed as a long-term solution to the problem. We will work with the CAO's legislative staff to add this issue to your Board's legislative agenda for the upcoming session.

If you have any questions, please call me or your staff may contact Mr. David Howard at (626) 300-2300.

AKM:lpg

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Attach.

cc: Chief Administrative Office
Executive Office
Department of Health Services

Glitch Stalls Retrofitting of Hospitals

A hiring freeze has slowed the state office that reviews projects. Yet \$40 million is available for staffing.

By Lisa Richardson
Times Staff Writer

September 8, 2003

Hospitals throughout the state are on the cusp of a construction boom, rebuilding and retrofitting seismically unsafe buildings to meet a mandated 2008 deadline.

But the state office that oversees hospital building plans doesn't have enough people to review the projects.

The staffing shortage at the Office of Statewide Health Planning and Development, brought about by a hiring freeze, has resulted in building delays of up to a year. It also has meant millions of dollars in extra construction costs for hospitals and millions more in lost wages for communities.

"There are \$7 billion we are trying to contribute to the economy and it seems ironic to us, at a time the economy needs it, that we're having trouble doing it," said Bob Eisenman, a spokesman for Kaiser Permanente's national facilities services.

"We are really worried. We're talking about 19 new hospitals in 10 to 15 years. That's not even counting the myriad ongoing, smaller improvements in renovation projects."

The irony, hospital officials say, is that staff positions at the state health planning office are entirely paid for by hospitals, not by the state. Hospitals pay 1.64% of their total construction costs into a fund administered by the office, which has grown to \$40 million. By law, that money must be used to hire employees to review hospital construction projects. But, because of a state hiring freeze, it can't be touched.

Assemblyman Dario Frommer (D-Los Feliz), has introduced a bill that would exempt those positions from the freeze and any further cutbacks until Jan. 1, 2013. The bill also would authorize the health planning office to add hospital-funded positions.

"This delay is unconscionable," Frommer said. "I think every constituent in California wants to know that the facility they're visiting is going to be safe during an earthquake — they expect that. Also, this program is funded by fees, so we're not taking money out of the general fund."

The state Department of Finance, however, opposes the bill, arguing in part that the bill

attempts to usurp the authority of the executive branch and encourages the growth of government.

The debate arises as hospitals are hustling to evaluate and retrofit their buildings by 2008, a deadline set by state law. That law was expanded in the wake of the 1994 Northridge earthquake, when 23 hospitals sustained more than \$3 billion in damage and were forced to suspend some or all services. Overall, hospitals are expected to spend \$14 billion on construction and improvements, industry officials said. Some hospitals may request extensions, which will be granted by the state on a case-by-case basis.

In the past year, the health planning office's workload has doubled to about 4,000 projects. The number of projects submitted for review next year is expected to increase significantly. Meanwhile, office staffing has dropped from 186 people to 156.

"Along with the amount of work, the nature of the projects is changing. What we're seeing now is a lot more large job replacement buildings and towers," said Kurt Schaefer, deputy director of the office's facilities development division. "Those can take significantly more time."

Childrens Hospital Los Angeles, for example, has started a \$300-million rebuilding program and state approvals are taking almost twice as long as they have in the past, said construction director John Sottile. "We submitted a plan check in March and they did not begin review of the documents until July," he said.

The process is much swifter in many other states, hospital officials say.

"Back in Arizona, from which I came, the process was more a review by each and every city in terms of compliance with building codes," said Rob Curry, president of O'Connor Hospital in San Jose. "That process took an average three to four months."

The backlog in California's health planning office has not only affected earthquake-related projects, but the gamut of construction proposed by hospitals for any reason.

O'Connor submitted plans in December 2002 to double the capacity of its emergency room, officials said. The hospital received partial approval in July of this year and is still waiting for the green light on its structural plans.

"If you look at it in terms of hours, we virtually have closed the emergency department two days a month," Curry said. "What that means is long waits and perhaps compromised care" as hospitals throughout the area struggle to accommodate the extra patients.

Another long-delayed project is Kaiser Permanente's hospital in Santa Clara. Kaiser is planning to replace the hospital with a new, \$440-million facility.

It submitted plans for approval in April 2002, estimating that the office would need a year to complete its review and that the new hospital would be ready to open in November

2003. Kaiser is still waiting, spokesman Eisenman said.

"The impact of that, we believe, is there will be \$2 million to \$3 million in added constructions costs," he said. "Also, had we gotten the approval in 12 months, we would have added 100 to 200 jobs this year."